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DEPARTMENT OF COMMERCE

International Trade Administration

Executive-Led Infrastructure Business Development Mission Statement

November 11-17, 2012, Indonesia and Vietnam

AGENCY: International Trade Administration, Department of Commerce

ACTION: Notice

MISSION DESCRIPTION

The United States Department of Commerce, International Trade Administration (ITA), U.S. and Foreign Commercial Service (US&FCS) is organizing an executive-led trade mission to Indonesia and Vietnam. The proposed trade mission, scheduled for November 11-17, 2012, will visit two of Southeast Asia's most dynamic markets and will help participants gain first-hand market knowledge and establish business contacts with senior decision makers.

Southeast Asia offers one of the world's largest and most dynamic markets for American exporters. The 10 member states comprising the Association of Southeast Asian Nations (ASEAN) represent a market of 609 million people that received over \$76 billion of merchandise exports from the United States in 2011. Collectively, these member states have, a collective GDP of nearly \$2.2 trillion. ASEAN's total merchandise trade has skyrocketed, rising from around \$400 billion a year in 1993 to \$2.0 trillion in 2010. This trade mission will also serve as a follow-up to Secretary Locke's June 2010 Clean Energy mission, which included a stop in Indonesia.

The purpose of the mission is to inform U.S. firms about opportunities in Southeast Asia's rapidly expanding market and to position U.S. companies to seize infrastructure-related export opportunities in Southeast Asia. The trade mission will be comprised of representatives from U.S. companies that provide state-of-the-art market services and technology to sectors critical to infrastructure development. The mission will visit Hanoi, Ho Chi Minh City (HCMC), and Jakarta. In each city, participants will receive market briefings and meet with key government decision makers and prospective private sector partners during customized, one-on-one meetings.

Top infrastructure sectors include:

- **Energy**
- **Aviation**
- **Environmental Technology**
- **Architecture, Construction and Engineering**

COMMERCIAL SETTING

INDONESIA:

Indonesia market information

Energy - Electrical Power Generation and Transmission; Energy Management Services and Products; and Energy Efficiency;

The electric power generation sector in Indonesia has experienced a high growth in demand averaging seven to nine percent per annum during the last five years. However, due to lack of

generating capacity, Indonesia still faces a power shortage in many parts of the country outside of Java and Bali. The overall electrification rate in Indonesia was 70.4% in 2011, one of the lowest rates in the region, affecting an estimated 80 million Indonesians.

As Indonesia develops, the government-owned electricity company, PLN, is under significant pressure to build additional power generating capacity and to upgrade the current generation and transmission infrastructure. Construction of power plants, transmission and distribution lines in Indonesia may offer significant commercial opportunities for U.S. companies that supply engineering services and equipment such as turbines, substations, transmission, transformers and distribution equipment. There are also growing opportunities to upgrade underperforming installations built in the last decade.

Demand-side power management concepts are just being introduced into Indonesia. There are likely to be growing opportunities for U.S. firms to offer energy efficiency solutions to new commercial facilities and retrofitting opportunities to some older industrial locations. Indonesia has one of the most significant natural endowments of biomass resources of any country in the world. Current projects only tap 1% of the available resource. Feed-in tariffs for biomass, biogas, and waste-to-energy encourage small-scale production and create opportunities for U.S. companies to invest or to offer a wide range of new technologies. The Indonesian government also promotes conversion of biomass to biofuels, which may result in opportunities for innovative U.S. technologies.

Aviation - Airports, Ground Support and Logistics

With a population of more than 240 million spread over 17,000 islands, Indonesia presents an enormous aviation opportunity and one of the fastest-growing domestic air traffic markets in the world. Nationally, the number of airline passengers is projected to reach 143 million in 2012 while passenger traffic at Jakarta's Sukarno Hatta increased from 43.8 million in 2009 to 58.9 million in 2011, ranking as the 12th busiest airport globally. The Directorate General of Civil Aviation, Ministry of Transportation announced that it will complete its National Airport Master Plan in the second half of 2012 and that master planning projects will move ahead in the first half of 2013. Indonesia currently has 25 airport projects planned for upgrade and expansion by 2014 and two new green field airports as well as expansions and upgrades of another 45 smaller DGCA-run airports over the next decade. Given the large number of new aircraft coming into the fleets of Lion Air and Garuda Indonesia, and that major airports are already operating far beyond capacity, airport expansion is a top priority infrastructure sector. The Ministry of Transportation estimates project spending needs at \$3.5 billion over 4 years. Buyers will include the two SOE airport operators, Angkasa Pura 1 and 2, DGCA for smaller airports, and new joint venture companies building new airport projects.

Significant opportunities exist along all subsectors, especially in the areas of airport planning and design, ground support equipment and logistical infrastructure. As a result of surging demand created by an emerging middle class and a large population, spread over an archipelago the width of the United States, Indonesia's private airlines are looking to compete in mid-markets, necessitating significant and concurrent development of airport infrastructure in many regions.

Specifically, there are pressing needs for air traffic control systems, airport ground support equipment, safety and security equipment, IT infrastructure and services, and engineering and logistics surrounding the airport supply chain. Indonesia is regarded by both industry and the U.S. Government as a market well-positioned to accept Next Generation Air Transportation System (NextGen) technologies, particularly given the capacity enhancements derived from NextGen that would alleviate much the country's air system constraints. Indonesia also plans to establish its new SOE for flight navigation services by the end of 2012.

Environmental Technology - Water Resource Management and Pollution Control

Equipment/Solid Waste Treatment and Disposal Technologies

Indonesia faces a constant struggle to provide adequate clean water and sanitation for its rapidly growing population. Similarly, demand for clean water is steadily increasing due to economic activity in urban and rural areas, and the rapid growth of the middle class. While access to clean water will reach near 50% in 2012, it is still far below Millennium Development Goals (MDGs) for clean-water access.

The Government of Indonesia (GOI) faces many challenges in providing clean-water supply such as scarcity of raw water resources, water leakage problems (average of 33% of non revenue water), and poor management of water companies. U.S. firms have significant opportunities to advise on the process at multiple levels, and have a good reputation for quality and advanced technology in the field of water and wastewater treatment. Although the market is price sensitive, U.S. products are strong competitors in water filtration, water purification equipment and control systems, water treatment chemicals, positive displacement pumps, valves and meters. There are also growing opportunities in wastewater treatment for industrial facilities, especially

for large-scale new petrochemical and chemical facilities and new power generation plants.

There are also significant specialized opportunities in water treatment/waste management for major mining projects.

In regard to solid waste, many areas in Indonesia, especially the Special Capital District of Jakarta are increasingly facing issues in managing solid waste as the urban population continues to rise, and property development and urbanization reach to all corners of the archipelago. U.S. firms have opportunities in introducing low-cost technology and solutions for waste disposal, and Waste-to-Energy (WtE) technology.

Architecture, Construction and Engineering: Port Infrastructure and Major Projects

Infrastructure development in Indonesia is guided by the Master Plan for the Acceleration and Expansion of Indonesian Economic Development (MP3EI), issued by the GOI in May 2011. A total of 367 infrastructure projects with a projected value of an estimated \$440 billion (if actually constructed) are showcased in the Master Plan, with the majority of these projects in transport (i.e., toll roads, airports, railway, and ports). The recent approval of the land acquisition bill in December 2011 is expected to speed up the implementation of these projects, especially roads, toll roads and railways. The GOI-owned company Pelindo 2 plans to begin the process for bidding on a multi-billion dollar project for Jakarta's Kalibaru 2 13mn TEU terminal project expansion. The GOI is still targeting port development as a priority, as five out of the country's six largest container ports are currently over-congested and an estimated 15mn TEUs of extra capacity are required by 2020. Currently, the GOI is seeking assistance to rapidly construct three new ports in Jakarta, Batam and Papua. Opportunities exist for U.S. companies with experience

in port architecture, construction and engineering, IT systems as well as logistics and container management.

VIETNAM:

Ho Chi Minh City and Hanoi

Energy - Power Generation, Efficiency Grid Transmission & Distribution Modernization

Electricity of Vietnam (EVN) forecasts 12% annual electricity demand growth over the next 15 years. Significant demand exists for design engineering services; project management; engineering, procurement, and construction (EPC); and hardware for power generation projects. Low efficiency in energy transmission and usage due to high wastage means great opportunities for providers of grid modernization technology. Mission participants will also have the opportunity attend a regional ASEAN Smart Grid and Power Workshop in Hanoi, organized by the US Trade and Development Agency.

Aviation - Airports, Ground Support and Logistics

The Civil Aviation Authority of Vietnam estimates that Vietnam would require about \$15 billion in investment to achieve its development plan for the aviation sector by 2020, of which \$8 billion will be for aircraft fleet expansion, \$5 billion for constructing and upgrading airports and \$2 billion for airport operation and air traffic management. According to the International Air Transport Association (IATA), by 2014, Vietnam will become the world's third fastest-growing

market for international passengers and freight, and the second-fastest in the number of domestic passengers.

At present, the government budget can only meet about 20 percent of the total investment required for airport development. Raising sufficient funds for this development is an immense challenge for Vietnam now and in the future. The plan for the period 2010 – 2015 calls for investment of more than US\$1.3 billion in airport modernization and expansion and rehabilitation in order to accomplish an efficient network of 20 airports in operation. In particular, Long Thanh International Airport (LTIA), which is planned to be Vietnam's largest international airport, is scheduled to be constructed in 2015 and become operational by 2020. With an estimated investment of more than US\$10 billion and covering more than 5,000ha, LTIA is expected to serve 100 million passengers and 5 million tons of cargo per year at its full capacity. Funding for the airport construction is expected to come from Government bonds, Official Development Assistance (ODA) and private sources.

In keeping with Vietnam's growing aviation market and air system modernization plans, vendors of NextGen technologies and services can offer the state-of-the-art solutions that increase efficiency, improve safety, and reduce overall costs.

Environmental Technology - Water Resource Management and Pollution/Disposal Technologies

The lack of clean water is one of Vietnam's most pressing environmental concerns. At present, it is estimated that only about 70 percent of the Vietnamese population has access to potable water. A high rate of water loss, 32 percent, further aggravates the problem. In addition to water supply, one of the most pressing environmental concerns is drainage and sewage. Due to rapid and ongoing urbanization and industrialization, improved municipal and industrial wastewater treatment has emerged as a critical need. Funding for water supply and wastewater projects comes from various sources within the state budget, as well as ODA loans and grants and from the World Bank and Asian Development Bank (ADB).

In 2011, ADB has approved Multi-tranche Financing Facility (MFF) in water supply and sanitation sector with total amount of one billion USD within the next ten years. This investment program will help water supply companies in Viet Nam to improve their performance. It will support capital investment in water companies and co-finance the National Nonrevenue Water (NRW) Program. The program will utilize an MFF to provide longer-term support for institutional reform in the Viet Nam water sector until 2020. The MFF will be used as seed money to leverage parallel co-financing and, importantly, gain access to commercial finance and increased private sector participation. Four pilot cities—Da Nang, Hai Phong, Ho Chi Minh City (HCMC), and Hue—were identified for project preparation in 2008. The first periodic financing request (PFR) will cover HCMC. Subsequent tranches will finance part of the National NRW Program and investment subprograms consisting of water supply infrastructure for provincial water companies, duplicating the model established with HCMC in PFR1. Several cities have initiated discussions with the government to finance future tranches totaling over \$300 million for water production plants, transmission and distribution networks.

Architecture, Construction and Engineering

While Vietnam's real estate market has slowed in the last year, long-term prospects for architecture, construction and engineering services continue as Vietnam develops its built environment and invests in much-needed infrastructure throughout the country. Architecture services, concept design, construction management, project management, and new building technologies represent the best opportunities for U.S. firms. Specific prospects include high-end hotels and resorts, retail and mixed-use projects, many of which are foreign invested and require high-quality design and construction. Awareness of sustainable and "green" buildings is just beginning to emerge, but is expected to grow. Other prospects include: landscape architecture, water features and swimming pools, hotel and restaurant interiors, town planning/master planning, green design/building materials (energy efficient, HVAC, lighting and building controls), airport design, healthcare design, and use of high-end architectural interior products and designs.

MISSION GOALS

The goal of the mission is to provide U.S. participants with first-hand market information, access to Indonesian and Vietnamese government decision makers and one-on-one meetings with business contacts, including potential agents, distributors, and partners, so that they can position themselves to enter the Vietnamese or Indonesian market or expand their business presence in Southeast Asia. Thus, the mission seeks to:

- Improve U.S. companies' understanding of commercial opportunities in Indonesia and Vietnam
- Facilitate business meetings between U.S. and host country businesses to promote the development of U.S. commercial opportunities in Indonesia and Vietnam
- Introduce U.S. industry representatives to the Southeast Asian business community and government leaders
- Provide policymakers with U.S. industry feedback on the direction of its commercial reforms

MISSION SCENARIO

The business development mission will take place in Indonesia and Vietnam. Participants will meet with leaders in the public and private sector, learn about the market by participating in Embassy briefings, and explore additional opportunities at networking receptions. Activities will include one-on-one meetings with pre-screened business prospects

PROPOSED TIMETABLE

Travel time – Hanoi (Nov 9&10) – Travel Time - (approx 32 hours)

Day One

Hanoi (Sunday Nov 11)

Arrive Hanoi

Delegation welcome/ embassy briefing

Day Two

Hanoi (Monday Nov 12)

Government meetings

Luncheon event

One-on-one business appointments

Prime Minister meeting

Ambassador reception

Day Three

Hanoi (Tuesday, Nov 13)

One-on- one business appointments

TDA Smart Grid Conference (if applicable)

(Smart grid companies would not go to HCM)

Travel to HCMC- afternoon

Consulate briefing

Consulate reception

Day Four

HCMC (Wednesday, Nov 14)

One-on-one business appointments

Industry sector briefing

Luncheon

Travel to **Singapore**- overnight only

Day Five

Singapore - Jakarta (Thursday, Nov 15)

Arrive in Jakarta- late morning

Embassy briefing

Government meetings

Ambassador reception

Day Six

Jakarta (Friday, Nov 16)

Breakfast event

One-on-one meetings

No-host conclusion dinner- mission completed

Day Seven

Jakarta (Saturday, Nov 17)

Travel to U.S.

PARTICIPATION REQUIREMENTS

This business development mission is designed for a maximum of 15 qualified companies and can accommodate a maximum of 25 participants from the companies accepted. All parties interested in participating in this business development mission to Indonesia and Vietnam, must submit a completed application package for consideration by the U.S. Department of Commerce. All applicants will be evaluated on their ability to meet certain conditions and to best satisfy the selection criteria as outlined below. U.S. companies already doing business in the target sectors as well as U.S. companies seeking to enter this market for the first time are encouraged to apply.

Fees and Expenses:

After a company has been selected to participate in the mission, a payment to the U.S. Department of Commerce in the form of a participation fee is required. The participation fee is **\$6,208** for a single participant for a small- or medium-sized enterprise (SME)¹ and **\$8,700** for a single participant for a large firm. Participants per company will be limited due to space constraints. The fee for each additional participant is **\$1,000**. Applicants are encouraged to provide a clear business purpose and clarification of role of any additional participants proposed to participate in the mission.

Interpretation services for official activities are included in the fee. Expenses for travel, lodging, meals, and incidentals will be the responsibility of each mission participant.

Conditions for Participation:

- An applicant must submit a completed and signed mission application and supplemental application materials, including information on the company's products and/or services, primary market objectives, and goals for participation. If the U.S. Department of Commerce receives an incomplete application, the Department may reject the application, request additional information, or take the lack of information into account when evaluating the application.
- Each applicant must also certify that the products and services it seeks to export through the mission are either produced in the United States, or, if not, marketed under the name of a U.S. firm and have at least fifty-one percent U.S. content.

¹ An SME is defined as a firm with 500 or fewer employees or that otherwise qualifies as a small business under SBA regulations. See <http://www.sba.gov/contractingopportunities/owners/basics/whatismallbusiness/index.html>. Parent companies, affiliates, and subsidiaries will be considered when determining business size. The dual pricing reflects the Commercial Service's user fee schedule that became effective May 1, 2008. See <http://www.export.gov/newsletter/march2008/initiatives.html>.

Selection Criteria for Participation:

Selection will be based on the following criteria:

- Suitability of the company's products or services to the mission goals
- Applicant's potential for business in Indonesia and Vietnam
- Consistency of the applicant's goals and objectives with the stated scope of the mission.

(Additional factors, such as diversity of company, size, type and location, may be considered during the selection process)

Referrals from political organizations and any documents containing references to partisan political activities (including political contributions) will be removed from an applicant's submission and will not be considered during the selection process.

TIMEFRAME FOR RECRUITMENT AND APPLICATIONS

Mission recruitment will be conducted in an open and public manner, including posting on the U.S. Department of Commerce trade missions calendar – <http://export.gov/trademissions/>– and other Internet Web sites, publication in domestic trade publications and association newsletters, direct outreach to the Department's clients and distribution lists, publication in the Federal Register, and announcements at industry meetings, symposia, conferences, and trade shows.

Recruitment for the mission will begin immediately and conclude no later than August 31, 2012, by the close of business. Applications received after August 31, 2012, will be considered only if

space and scheduling constraints permit. Applications will be vetted on a rolling basis starting July 5, 2012.

DISCLAIMER, SECURITY, AND TRANSPORTATION

Business development mission members participate in the mission and undertake related travel at their own risk and are advised to obtain insurance accordingly. Any question regarding insurance coverage must be resolved by the participant. The U.S. Government does not make any representations or guarantees as to the safety or security of participants.

FOR MORE INFORMATION AND AN APPLICATION PACKET CONTACT:

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